

78 038394 CHIEF ADMINISTRATIVE OFFICER  
COUNTY OF LOS ANGELES

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974-1101



HARRY L. HUFFORD  
CHIEF ADMINISTRATIVE OFFICER

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May 8, 1978

HONORABLE BOARD OF SUPERVISORS  
County of Los Angeles  
383 Hall of Administration

Gentlemen:

URGENCY LEGISLATION RE PROPOSITION 13

On Wednesday, May 3, 1978, Mr. Alvord, County Treasurer, Mr. Bloodgood, County Auditor-Controller, Mr. Gotthainer, Assistant Administrative Officer, and I met with Senator Albert Rodda, Chairman of the State Senate Finance Committee and State Director of Finance, Roy Bell to discuss the need for urgency legislation to ensure the fiscal solvency of the County should Proposition 13 be enacted. The following points were discussed:

1. Proposition 13 will reduce County local tax revenues by \$895 million or 71% requiring the elimination of nonmandatory functions such as recreation and culture; substantial curtailments, over 58% in mandatory functions such as police, fire, and health; and the layoff of 36,910 employees.
2. Even this drastic reduction in budgeted programs includes \$400 million in property taxes and \$300 million in State subvented revenues. There is no present statutory authority to anticipate this \$700 million and the enactment of new legislation will be required before this money will be available. Failure to enact this legislation prior to June 30, 1978 will result in the virtual close down of all County operations other than welfare.

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May 8, 1978

3. Unless this legislation is enacted the County will be unable to borrow cash by issuing Revenue or Tax Anticipation Notes or by using interagency borrowing. Our projected July 1, 1978 cash balance of \$72 million will last only through the middle of July when we will run out of cash to pay our bills.
4. Layoff decisions must be finalized no later than June 20, 1978 in order to insure that employees have sufficient time to file for unemployment insurance benefits prior to the July 31, 1978 end of the current fully-Federal financed program. Benefits for employees who file after July 31, 1978 must be paid by the County, costing an additional \$70 million.

We stressed the urgency of the need for measures to insure cash flow for County government to prevent immediate fiscal chaos should the Jarvis Initiative pass. We emphasized that these are only the minimum requirements essential to finance the drastically curtailed Proposition 13 Alternative Budget for the County and that this financing level will still require a massive shutdown of County facilities and the layoff of over 36,000 employees.

Mr. Alvord has prepared a report, copy attached, which outlines in further detail both the basis for the statements provided to the State officials and his own assessment of the situation as it relates to County government.

Senator Rodda expressed his concern and willingness to work with the County in the development of emergency legislation to meet critical interim funding requirements as outlined above.

Mr. Roy Bell indicated the Department of Finance would participate in the development of this legislation.

Therefore, your Board should sponsor legislation to:

1. No later than June 30, 1978 adopt legislation so that local governments have some resources to finance operations while longer-term solutions are explored. This is intended to be an interim, short-term measure. It doesn't require any new or increased State costs as these proposals do not replace the \$7 billion revenue lost under Proposition 13.

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May 8, 1978

(In Millions of Dollars)

Los Angeles

StatewideCounty

<b>a.</b> Continue State funding of the Homeowners Exemption and Business Inventory Exemption at the same level they are currently committed to provide.	\$1,195	\$ 154
<b>b.</b> Allocation of State funds budgeted for welfare and Medi-Cal buyouts under SB 1.	1,219	144.6
<b>c.</b> Enact urgency legislation distributing the 1% levy among all local taxing agencies equal to their proportionate share of the 1977-78 tax levy.	5,400	404.6
<b>Total</b>	<b>\$7,814.0</b>	<b>\$703.2</b>

The School Districts have indicated that they believe the schools are entitled to all property taxes. In the event the distribution of the 1% levy is tied up in the courts we recommend the following alternative to establish a State property tax advance fund of \$5.4 billion, the amount of property tax revenue that will be collected under Proposition 13. The State Controller would determine each local taxing agencies' proportionate share of property taxes levied in 1977-78 and local taxing agencies would be entitled to an advance from this fund. The maximum amount a local taxing agency would be authorized to receive from the property tax advance fund could not exceed their proportionate share of the 1% levy.

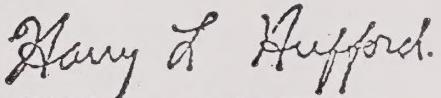


2. Either immediately (to avoid the 36,910 layoffs) or at the earliest possible date provide State financing on a dollar-for-dollar basis to replace local government budget dollars to the extent that Proposition 13 reduces the use of property tax financing for that purpose.

IT IS RECOMMENDED THAT YOUR BOARD:

Instruct the CAO, County Counsel, Auditor-Controller and Treasurer-Tax Collector to assist the Department of Finance and Legislature in preparing legislation to accomplish these objectives and instruct your Legislative Representatives in Sacramento to seek earliest possible passage on an urgency basis.

Respectfully submitted,



HARRY L. HUFFORD  
Chief Administrative Officer

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Attachments

cc: Each Supervisor  
County Counsel  
Auditor-Controller  
Treasurer-Tax Collector

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